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DEPARTMENT OF MANAGED HEALTH CARE APPROVES UNITED HEALTH GROUP AS NEW PARENT OF PACIFICARE OF CALIFORNIA

(Sacramento, CA) -- The Department of Managed Health Care (DMHC) has approved UnitedHealth Group to become the new parent company of PacifiCare of California, which has 1.7 million members. The approval contains important provisions to protect consumer financial interests and improve the health care delivery system in California.

"We've negotiated a pact that is good for consumers but sends a strong message that California is a state with a competitive and healthy marketplace," said Cindy Ehnes, Director of the DMHC. "This approval contains the strongest protections permitted by California law to protect the pocketbooks of consumers and ensures that PacifiCare maintains its ability to provide comprehensive health care to California employers and enrollees."

The most significant consumer financial protection guaranteed by agreements negotiated by the DMHC and the two companies is that PacifiCare policyholders will not pay for any executive compensation payments. Others include holding down administrative costs, ensuring that premium increases will not go towards costs of the merger, limiting any dividend payments to the new out-of-state parent company, creating new comprehensive benefit insurance products and retaining company oversight activities in California.

The DMHC approval will also require specific investments to improve health care quality and benefits for Californians. These include:

- $200 million of the combined UHG and PacifiCare investment portfolios over the next five years to an Investment in California program to benefit community health projects, which will include:

- More than $13 million in additional payments over three years in "Pay for Performance" initiatives to provide strong financial incentives for medical groups and providers to encourage positive health outcomes through disease management and efficient care delivery;
- $5 million toward the development of a statewide health information technology infrastructure within PacifiCare; and
- $1 million in marketing and development to support new commercial HMO products.

- $50 million for charitable activities including technology projects for safety net providers, medical education in underserved communities, preventive health projects, Medicare Part D premium assistance for low-income dual-eligible Medi-Cal and Medicare recipients, and other projects to serve low-income populations.

"One of our top priorities is to continue PacifiCare's long-standing commitment to providing affordable, comprehensive health care benefits to its members," said Ehnes. "In negotiating these conditions, I am primarily concerned with strengthening a strong, coordinated system of health care that has given Californians more access to health care services at a lower cost than in other parts of the country."

Requirements are outlined in formal requirements or "undertakings" negotiated by the DMHC and conformed to any additional provisions adopted between the companies and the Department of Insurance (DOI), which also needs to give approval for the merger to be finalized in California. The four-year term of the Undertakings conforms to the expected length of time it will take for all merger-related costs to be repaid by United. PacifiCare must provide ongoing as well as annual reports to the DMHC on its compliance.

The California Department of Managed Health Care is the only stand-alone HMO watchdog agency in the nation, touching the lives of more than 21 million enrollees. The DMHC has assisted more than 650,000 Californians through its 24-hour HMO Help Center to resolve their HMO problems, educates consumers on health care rights and responsibilities, and works closely with HMO plans to ensure a better, solvent and stable managed health care system.

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